



**MCI Communications
Corporation**

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Donald F. Evans
Director
Federal Regulatory Affairs

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

December 16, 1994

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: EX-PARTE, CC Docket 94-1

Dear Mr. Caton:

In accordance with the Commission's Rules governing EX-PARTE communications, be advised that today I met with Richard Metzger and Kathy Levitz. We discussed MCI's position in the above captioned proceeding and provided a financial analysis of cash flow. The attached documents were used in our presentation.

Please place a copy of this notice and the attached documents in the record of the above captioned proceeding.

Sincerely,


Donald F. Evans

cc: Richard Metzger
Kathy Levitz

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Operating Cash Flow Analysis

December 1994

IXCs

	<u>1993</u>
Net Revenue	\$63.5B
Market Capitalization	\$ 60.4B
Operating Cash Flow (EBITDA)	\$12.1B
EBITDA Margin	19.0%

RBOCs

	<u>1993</u>
Net Revenue	\$71.3B
Market Capitalization	\$148.6B
Operating Cash Flow (EBITDA)	\$32.8B
EBITDA Margin	46.0%

	Net Revenue	EBITDA	EBITDA Margin	% of Total
Local	\$34.2B	\$7.5B	22.0%	23.0%
Access	\$20.8B	\$14.7B	70.7%	44.8%
Toll	\$ 9.7B	\$6.4B	66.1%	19.6%
Misc.	\$6.6B	\$4.1B	63.0%	12.6%
Total	\$71.3B	\$32.8B	46.0%	100%

Notes:

- 1). Sources: FCC Preliminary Statistics of Communication Common Carriers for year ended December 31, 1993 ; FCC Report 4303 ; FCC Report 4302; 1993 Business Week 1000; Companies Annual Reports and 10Ks. The compilation of the underlying RBOC FCC data was verified by Price Waterhouse LLP.
- 2). The IXC market is based on MC I, LDDS, LCI, ALC , AT&T long distance services and Sprint long distance services.
- 3). The market capitalization for AT&T and Sprint has been estimated based on long distance operating income as a percentage of total Company operating income.

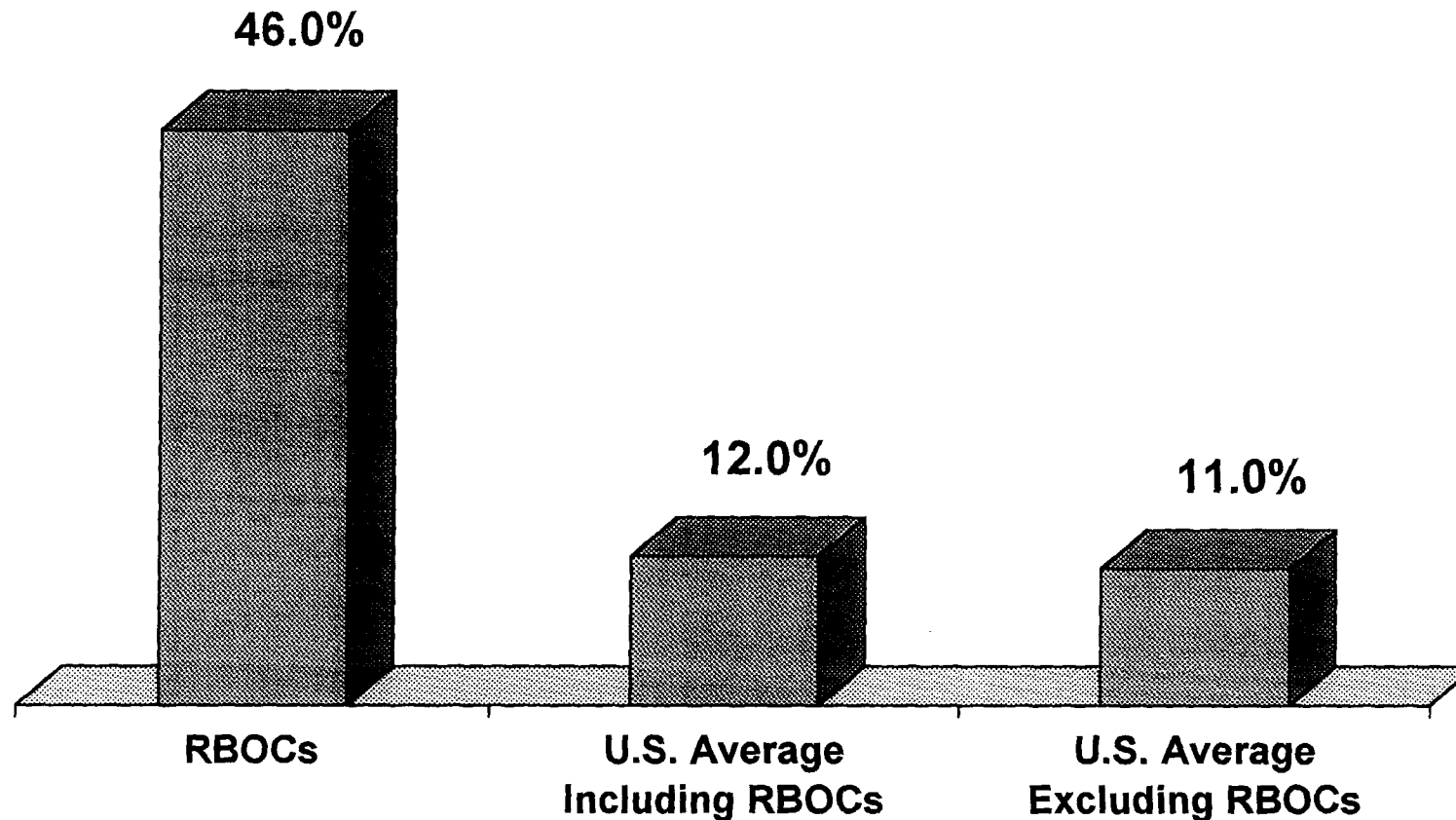
Access charges generate \$4.4B in free cash flow to fund dividend payments and investment in new ventures.

	<u>1993</u>
Net access charges received by RBOCs	\$20.8B
Operating Cash Flow (EBITDA) margin on access charges	<u>x 70.7%</u>
Operating Cash Flow (EBITDA) on access charges	\$14.7B
Amount reinvestment in local plant (reinvestment rate is 44.5% on EBITDA)	\$6.5B
Net interest expense (estimated rate is 9.6% on EBITDA)	\$1.4B
Amount paid in taxes (estimated taxes rate is 16.5% on EBITDA)	<u>\$2.4B</u>
Available for dividends and investment in new ventures	<u><u>\$4.4B</u></u>

Notes:

- 1). During the period 1991 through 1993, \$15B was invested in new ventures. Only \$1.7B was capitalized through external funding.
- 2). Sources: See Page 1, Note 1.

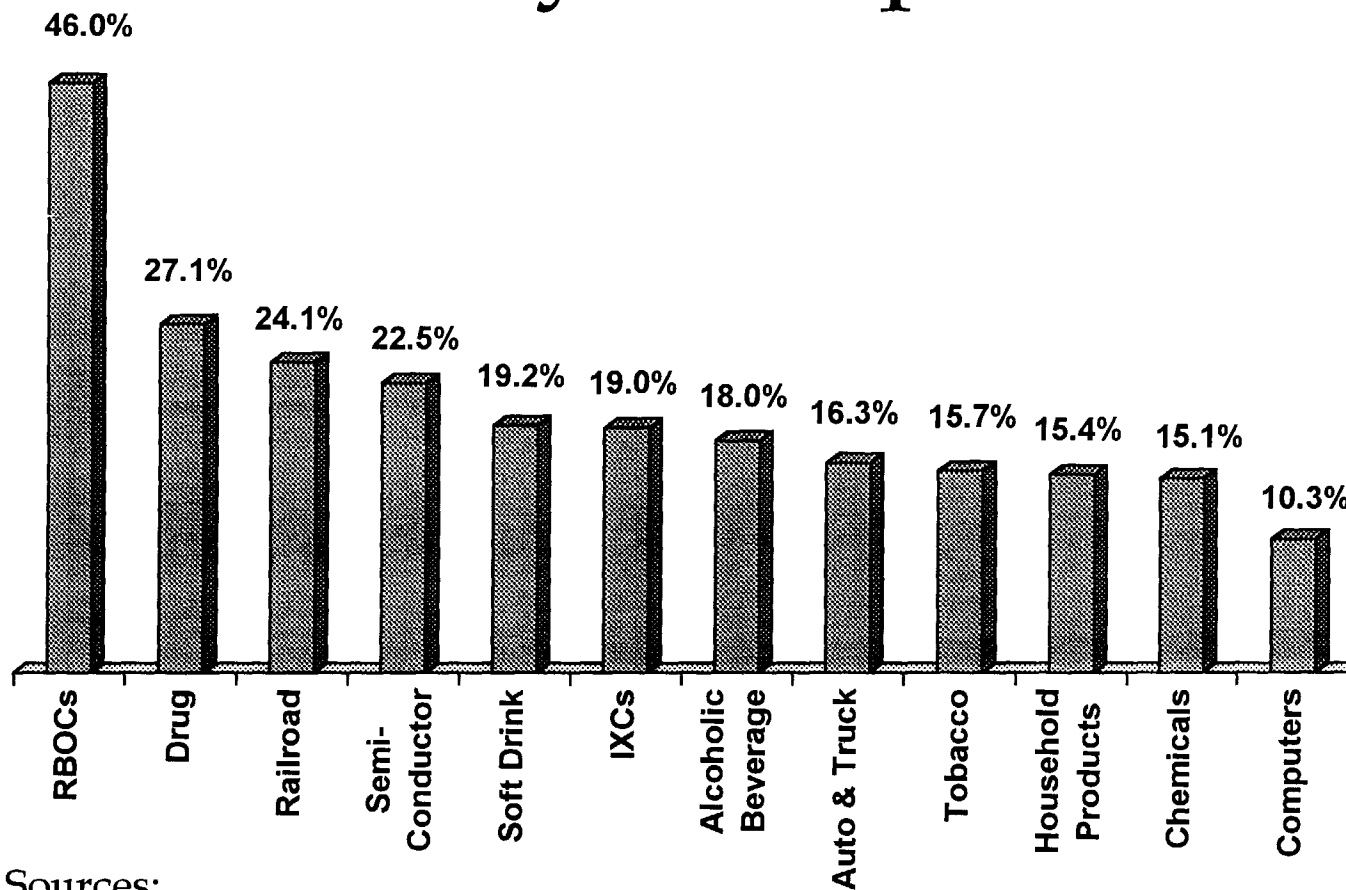
1993 EBITDA Comparison



Notes:

- 1). Sources: Disclosure, Inc. for U.S. Average. For RBOCs, see Page 1, Note 1.
- 2). U.S. average is comprised of all companies who produce goods and services, who file financial statements with the SEC, and who had 1993 revenues exceeding \$10 Billion.

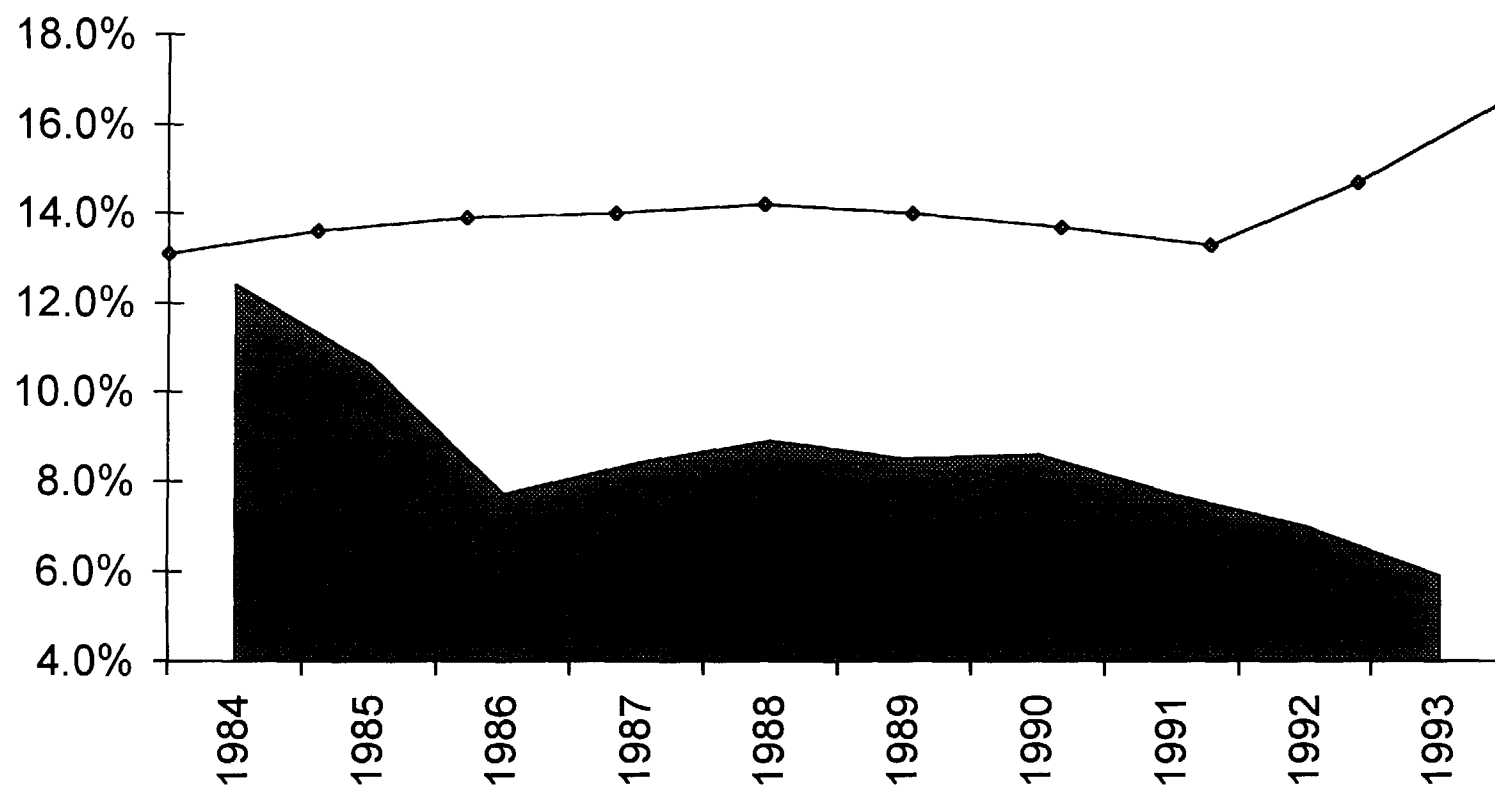
1993 EBITDA Industry Comparison



Sources:

- 1). RBOCs: See Page 1, Note 1.
- 2). IXCs: See Page 1, Notes 1 & 2.
- 3). All Other Industries: The Value Line Investment Survey - 1994 Editions.

Return on Equity RBHCs Versus the 10 Year T-Note



Notes:

- 1). Source: Company Annual Reports.
- 2). Rate of Return computed from net income excluding the effects of accounting changes and other one-time charges.